SASKATCHEWAN GRAIN CAR CORPORATION

ANNUAL REPORT

For the Year Ended
July 31, 1988

Saskatchewan Grain Car Corporation

91-02317/

March 14, 1989
Regina, Saskatchewan

To Her Honour
the Honourable Sylvia Fedoruk
Lieutenant-Governor of the Province of Saskatchewan

Madam:

I have the honour to submit herewith the annual report of the Saskatchewan Grain Car Corporation for the year ending July 31, 1988, including the financial statements therefore, duly certified by Skilnick and Partners, the Corporation's external auditor and in the form approved by the Treasury Board, all in accordance with The Saskatchewan Grain Car Corporation Act, 1981.

I have the honour to be Madam,

Your obedient servant,

Grant Devine, Premier,
Minister of Agriculture
and Minister in Charge
of the Saskatchewan Grain
Car Corporation

Saskatchewan Grain Car Corporation

DIRECTORS

Honourable Grant Devine, Regina

Stuart Kramer, Regina

Gordon Keats, Melville

MANAGEMENT

Stuart Kramer, Regina
Acting General Manager

Donald Shawaga, Melville
Fleet Superintendent

Sandra Konechny, Melville
Secretary

Saskatchewan Grain Car Corporation

Annual Report 1988

The Saskatchewan Grain Car Corporation's hopper car fleet continued to be used in the Canadian Wheat Board's Western Division during the 1987-88 crop year. Saskatchewan Grain Car Corporation had 474 hopper cars on CN lines and 523 on CP lines devoted to grain service. The percentage of cars on the CN and CP was based on the total bushels handled by each carrier in the 5 year period October, 1974 to September, 1979. Every two years this formula may be re-applied to the most recent 5 years to determine a possible re-allocation of cars. No request for re-allocation was received during the 1987-88 crop year.

The Corporation's office is located in Melville, Saskatchewan. The office is operated by two staff members.

The Corporation previously extended the Operating Agreement, originally signed with the CN, CP and Canadian Wheat Board in February, 1981, until a new agreement is ratified. This Agreement allows for the 6 major grains, wheat, oats, barley, rye, flax and rapeseed to be carried within the Western Division. Other grains may be handled with authorization from the Corporation. In the 1987-88 Crop Year the Corporation authorized an additional movement outside the Western Division as well as movement of grains covered under Schedule I of Bill C155, Western Transportation Act, to ensure utilization of the equipment was at its highest.

During 1987-88 the Corporation's computerized car monitoring system continued to follow the day-to-day movements of the fleet highlighting inactive cars, misloads, or activities contrary to the Corporation's contractual arrangements with the railroads and the Canadian Wheat Board. A bi-monthly summary of statistical reports is obtained to help ensure the fleet is used to capacity.

The following charts compare operations of Saskatchewan Grain Car Corporation's fleet in the 1987-88 and the 1986-87 crop years.

Major Grains Transported in Western Division	**1987-88** (Tonnes)	**1986-87** (Tonnes)
Wheat	1,006,220	878,520
Oats	14,040	15,600
Barley	197,780	302,480
Rye	8,670	8,320
Flax	27,920	30,160
Rapeseed	99,380	105,650
	1,354,010	1,340,730

Saskatchewan Grain Car Corporation

The Corporation's hopper cars moved 1.35 million tonnes of major grains in 1987-88 compared to 1.34 million tonnes in 1986-87 within the Western Division. This represents a 1% increase for SGCC movements from 1986-87.

Saskatchewan produced a crop of 22.2 million tonnes of the six major grains and oil seeds in 1987 compared to 25.4 million tonnes in 1986.

Canadian grain exports during the 1987-88 crop year were an all time record. Exports were 31.5 million tonnes compared to 30.8 million tonnes in 1986-87.

In addition to the 6 major grains, approximately 72,000 tonnes of other crops such as alfalfa pellets, malt, bran, etc. were moved within the Western Division, and 4,200 tonnes of major grains travelled out of the Western Division to Eastern Ports to meet export opportunities, making a grand total of 1,430,210 tonnes handled by Saskatchewan Grain Car Corporation hopper cars in the 1987-88 Crop Year. (A decrease of 2% in total handling over last year's movements.)

Some factors contributing to the drop in total handling were:

1. Railway labor dispute August 24-28, 1987.
2. Prince Rupert grain handlers dispute Dec. 9/87 - Jan. 20/88.
3. A smaller winter movement to Eastern ports.

Origin of Movements	**1987-88** (%)	**1986-87** (%)
Saskatchewan	55.8	51.5
Alberta	30.0	35.0
Manitoba	13.8	13.0
British Columbia	.4	.5
	100.0	100.0

Destinations within Western Division	**1987-88** (Trips)	**1986-87** (Trips)
Thunder Bay	6,358	7,023
Vancouver	8,557	7,343
Prince Rupert	2,323	2,291
Inland Mills, Feed Plants, etc.	576	621
	17,814	17,278

No cars moved to the Port of Churchill due to the inability of this line to handle hopper cars.

Round Trip Car Cycles
(Average elapsed time for cars to load, unload and reload)

To Port:	**1987-88** (Days)	**1986-87** (Days)
Thunder Bay	18.7	19.5
Vancouver	22.5	21.3
Prince Rupert	21.3	21.1
Average — All Ports	20.9	20.5

The Corporations's average round trip car cycle increased to 20.9 days in 1987-88 from 20.5 days in the previous year.

Saskatchewan Grain Car Corporation

Delay in Car Movements	1987-88 (Number of cars- % of Fleet)	1986-87 (Number of cars- % of Fleet)
CN	32 - 6.7	39 - 8.2
CP	50 - 9.6	58 - 11.1
Both	82 - 8.4	97 - 9.7

This chart on delayed cars is based on a definition of a delayed car as one which has not had a change in status for more than 10 days. These delays were calculated bi-weekly and were averaged to give an annual figure. The percentage figure was based on the number of cars on each line, that is 523 on CP and 474 on CN.

Damaged Cars

Railway	1987-88	1986-87	Total Since Built
CN	3	8	52
CP	2	3	35
Both	5	11	87

Damage to cars was caused by derailments, side-swipes, loading and unloading accidents, etc. Two cars were declared damaged beyond economical repair during 1984-85 and one during 1986-87. The depreciated value of $143,363.03 for the three cars was forwarded to the Corporation by the railway and placed in a special Reserve Fund set aside to purchase replacement cars when it is economically advisable to do so. The two cars damaged on CP lines in 1987-88 Crop Year were in service before the close of the Crop Year while the three on CN lines will be in service early in the 1988-89 Crop Year.

Alternate Use of Cars

The Corporation's hopper cars were utilized in one additional movement, as follows:

> To assist the Canadian Wheat Board from January to March, 1988 in meeting their export commitments the Corporation's cars moved 47 carloads out of a 3,211 carload (289,000 tonne) movement from Thunder Bay to Eastern Terminals.

Saskatchewan Grain Car Corporation

Auditor's Report 1988

To the Members of the Legislative Assembly
Province of Saskatchewan.

We have examined the statement of financial position of the Saskatchewan Grain Car Corporation as at July 31, 1988, and the statements of revenue and expenditure and surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at July 31, 1988 and the results of its operations for the year then ended in accordance with the disclosed basis of accounting applied on a basis consistent with that of the preceding year.

Skilnick + Partners

Melville, Saskatchewan
September 12, 1988

SKILNICK & PARTNERS
Chartered Accountants.

Saskatchewan Grain Car Corporation

Statement 1 — Statement of Financial Position

July 31, 1988 (Note 2)

	OPERATING FUND		CAPITAL FUND		RESERVE FUND	
	1988	1987 (Restated Note 5)	1988	1987	1988	1987
ASSETS						
Current Assets						
Cash	$ 316	$1,096	—	—	$ 26	$5,242
Short-term investments, at cost (Schedule 1)	5,900	7,900	—	—	180,881	156,136
Accounts receivable						
—accrued interest on short-term investment	10	1	—	—	1,427	7,170
—miscellaneous	—	3,735	—	—	—	—
Prepaid expenses	—	1,184	—	—	—	—
	6,226	13,916	—	—	182,334	168,548
Fixed assets (Note 1(b) & (e))	—	—	54,214,423	54,214,423	—	—
Less accumulated depreciation (Note 1(e))	—	—	3,666,660	3,666,660	—	—
	—	—	50,547,763	50,547,763	—	—
	6,226	13,916	50,547,763	50,547,763	182,334	168,548
LIABILITIES AND EQUITY						
Current Liabilities						
Accounts payable	8,257	6,305	—	—	—	—
Long-term loan from the Heritage Fund (Note 3)	—	—	46,349,629	46,349,629	—	—
Surplus — (Deficit) Statement 3, (Note 5)	(2,031)	7,611	4,198,134	4,198,134	182,334	168,548
	6,226	13,916	50,547,763	50,547,763	182,334	168,548

(See Accompanying Notes to the Financial Statements)

Saskatchewan Grain Car Corporation

Statement 2 — Statement of Revenue and Expenditure

For the Year Ended July 31, 1988

	Operating Fund (Note 1)	Capital Fund (Note 1)	Reserve Fund (Note 1)	Total 1988	Total 1987 Restated (Note 5)
Revenue					
Grant — Consolidated Fund — Department of Agriculture	$ 86,800	$ —	$ —	$ 86,800	$ 85,000
Compensation for damaged cars	—	—	—	—	43,966
Interest on short-term investments	1,639	—	13,786	15,425	11,727
Miscellaneous revenue (Note 4(c))	7,106	—	—	7,106	4,259
	95,545	—	13,786	109,331	144,952
Expenditures					
Salaries	77,437	—	—	77,437	76,267
Board of Director expenses	300	—	—	300	—
Administration expenses —Schedule 2	27,450	—	—	27,450	35,523
	105,187	—	—	105,187	111,790
Excess of Revenue over Expenditure (Expenditure over Revenue)	(9,642)	—	13,786	4,144	33,162

(See Accompanying Notes to the Financial Statements)

Saskatchewan Grain Car Corporation

Statement 3 — Statement of Surplus

For the Year Ended July 31, 1988

	Operating Fund Restated (Notes 1&5)	Capital Fund (Note 1)	Reserve Fund (Note 1)	Total 1988 Restated (Note 5)	Total 1987 Restated (Note 5)
Surplus, beginning of year	$12,382	$4,198,134	$168,548	$4,379,064	$4,342,530
Restatement — Note 5	(4,771)			(4,771)	(1,399)
Surplus, beginning of year as restated	7,611	4,198,134	168,548	4,374,293	4,341,131
Excess of revenue over expenditure (expenditure over revenue)	(9,642)	Nil	13,786	4,144	33,162
Surplus (Deficit), end of year	(2,031)	4,198,134	182,334	4,378,437	4,374,293

(See Accompanying Notes to the Financial Statements)

Saskatchewan Grain Car Corporation

Statement 4 — Statement of Cash Flows

For the Year Ended July 31, 1988

	1988	1987 Restated (Note 5)
Cash provided by operating activities:		
Earnings before extraordinary items	$ 4,144	$33,162
Add: Charges not requiring current cash payments	—	—
	4,144	33,162
Net change in non-cash working capital balances related to operations — see summary below	12,605	(3,968)
Cash provided by operations	16,749	29,194
Cash provided by (used in) investment activities		
Decrease (increase) in S.T. Investments	(22,745)	(22,982)
Cash provided by (used in) investment activities	(22,745)	(22,982)
Cash provided by (used in) financing activities		
Decrease in long-term debt	—	—
Cash used in financing activities	—	—
Net increase (decrease) in cash during year	(5,996)	6,212
Cash position at beginning of year	6,338	126
Cash position at end of year	342	6,338

Summary of Changes in Non-Cash Working Capital

	1988	1987 Restated (Note 5)
Accrued interest on short term investments	5,734	(5,661)
Miscellaneous receivables	3,735	(2,763)
Prepaid expense	1,184	—
Accounts payable	1,952	4,456
	12,605	(3,968)

(See Accompanying Notes to the Financial Statements)

Saskatchewan Grain Car Corporation

Notes to Financial Statements

July 31, 1988

1. **Significant Accounting Policies**

These financial statements have been prepared in accordance with accounting policies that are considered appropriate for organizations of this type. The significant accounting policies are as follows:

a) The accounts of the Corporation are maintained in three segments:

i) Capital Fund

1. The fixed assets (grain cars) of the Corporation are maintained in a Capital Fund, along with the related liability to the Heritage Fund.

2. Since no significant revenue is attributable to the grain cars, the recording of depreciation in the accounts has been discontinued.

ii) Reserve Fund

All cash receipts from the railways by way of compensation for irreparable damage to grain cars will be retained in the Fund and will be used solely for the purchase of replacement cars. All interest earned from these cash balances will be retained in this Fund. To date, three cars have been irreparably damaged and have not yet been replaced.

iii) Operating Fund

The operating costs and revenue for the Corporation are recorded in the Operating Fund.

b) Purchase of Grain Cars:

The purchase of the grain cars is grouped as a "pool". Purchase costs of cars, together with transportation and inspection expenses are capitalized. The cost of the pool will not be adjusted for irreparably damaged cars nor for replacements purchased from the Reserve Fund.

c) Purchase of Other Fixed Assets:

Purchases of office equipment will be expensed in the year of acquisition to the Operating Fund.

d) Operating Revenue:

According to the terms of the Operating Agreement between Saskatchewan Grain Car Corporation, Canadian National Railway Company, Canadian Pacific Limited and the Canadian Wheat Board, the railways have the right to manage and operate the cars. Revenue earned by the cars in the movement of wheat, oats, barley, rye, flaxseed and rapeseed in the Western Division shall accrue to the railways for their own account.

e) Depreciation of Grain Cars:

The policy of recording depreciation was discontinued in 1984. This change in accounting policy was necessitated by the change in the terms of the repayment of the long term debt described in note 3, which eliminated the payment of the grant to the Corporation by the Department of Agriculture. Previously depreciation was offset against this grant.

2. **Status of the Corporation**

The Saskatchewan Grain Car Corporation was established by Order-in-Council 1787/79 on October 2, 1979, and continues under the provisions of The Saskatchewan Grain Car Corporation Act.

3. **Long-Term Debt**

Up to and including March 31, 1983, net operating expenses and debt charges on the long-term loan have been covered annually by an equal grant from the Department of Agriculture from funds appropriated by the Legislature. Effective March 31, 1983, debt charges and principal repayment terms were significantly changed.

By Order-in-Council 1164/83 dated August 3, 1983, the terms and conditions relating to the loan from the Heritage Fund were amended as follows:

a) The principal amount outstanding of the loan shall be repaid by the 31st day of March, 2011. The Corporation shall have the right to repay from time to time any part of the principal amount outstanding prior to March 31, 2011.

b) The loan shall not bear any interest from and after March 31, 1983.

4. **Related Party Transactions**

a) Included in these financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan Crown controlled departments, agencies and corporations with which the Corporation is related.

Account balances resulting from these transactions are included in the Statement of Financial Position and are settled on normal trade terms.

Other amounts due to (from) related parties and the terms of settlement are described separately in the financial statements and the notes thereto.

b) The Corporation's Melville office is located in a government building and prior to April 1, 1987 no rent was paid for use of this space. Effective April 1, 1987 a rental charge of $706 per month, subsequently revised to $759, effective April 1, 1988, has been collected from the Corporation by Saskatchewan Property Management.

c) Miscellaneous revenue represents recoveries by the Corporation of a portion of the cost of jointly shared secretarial and telephone services with the Saskatchewan Wheat Pool Corporation.

5. **Restatement of Prior Year and Surplus Adjustment**

The restatement of prior year figures is comprised of the following:

Description	Period	Amount	Expense	Authority
Retro-active salary increase to Fleet Superintendent position	1986-87	2,724	Salaries	Board approval
Retro-active salary increase to Secretarial position	1986-87	648	Salaries	SGEU salary scale
Restatement of Prior Year		3,372		

The adjustment to the surplus balance as at August 1, 1986 is comprised of the following:

Description	Period	Amount	Expense	Authority
Retro-active salary increase to Fleet Superintendent position	1985-86	1,347	N/A	Board approval
Retro-active salary increase to Secretarial position	1985-86	52	N/A	SGEU salary scale
Surplus adjustment		1,399		

Saskatchewan Grain Car Corporation

Schedule 1 — Schedule of Investments

As at July 31, 1988

	Description	Rate	Maturity Date	Amount
Operating Fund				
	Melville Credit Union Term Deposit	6.50%	August 15, 1988	$ 3,400
	Melville Credit Union Term Deposit	6.50%	August 30, 1988	2,500
	Totals - To Statement 1			5,900
Reserve Fund				
	Melville Credit Union Term Deposit	6.50%	August 30, 1988	4,300
	Melville Credit Union Treasury Bill	9.51%	December 30, 1988	176,581
	Totals - To Statement 1			180,881

(See Accompanying Notes to the Financial Statements)

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Schedule 2 — Schedule of Administration Expenses
For the Year Ended July 31, 1988

	1988	1987
Computer services and equipment	$ 8,314	$ 22,374
Office supplies and equipment rent	134	291
Printing and copying	1,888	1,314
Professional services	1,950	—
Rent — office space - Note 4(b)	9,462	2,833
Telephone and telex	4,548	7,027
Travel and sustenance	1,089	1,594
Miscellaneous	65	90
Totals — To Statement 2	27,450	35,523

(See Accompanying Notes to the Financial Statements)